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September 22, 2011

The Honorable, Marlene H. Dortch
Secretary
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

Ms. Karen Majcher – Vice President
Universal Service Administrative Company
2000 L Street, NW, Suite 200
Washington, DC 20036

RE: Residential Rate Comparability Certification for Wyoming's Non-Rural Incumbent Local Exchange Carrier Serving in Rural Areas within Wyoming Pursuant to 47 C.F.R. § 54.316 (CC Docket No. 96-45)

Dear Secretary Dortch and Ms. Majcher:

The Wyoming Public Service Commission (WyPSC) hereby submits, pursuant to 47 C.F.R. § 54.316, its residential rate comparability certification to the Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC). 47 C.F.R. § 54.316, *Rate comparability review and certification for areas served by non-rural carriers*, requires state commissions to annually review the comparability of residential rates in rural areas of the state served by non-rural incumbent local exchange carriers to urban rates nationwide. Qwest Corporation (Study Area Code 515108) is the only non-rural incumbent local exchange carrier in Wyoming; and Qwest also serves in rural areas of the state. 47 C.F.R. § 54.316 further requires the WyPSC to certify to the FCC and the USAC whether rates are reasonably comparable pursuant to the universal service principles contained in Section 254(b)(3) of the federal Telecommunications Act of 1996.

This residential rate review and certification is pursuant to the FCC's expanded certification process contained in its *Order on Remand, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order*, CC Docket No. 96-45, FCC 03-249, released October 27, 2003 (commonly referred to as the *Remand Order*). The nationwide urban rate benchmark equals the most recent average urban rate plus two weighted average standard deviations. The average urban rate and standard deviation are found in the most recent (August 8, 2008) *Reference Book of Rates, Price Indices, and Expenditures for Telephone Service* (the *Reference*

Book) published by the Wireline Competition Bureau of the FCC. For this certification, the nationwide urban rate benchmark of \$36.52 per month appears in Table 1.13 of the *Reference Book*.

Exhibit 1 to this certification letter is a presentation of the Basic Service Rate Template for Wyoming as more fully described in the Joint Board's Recommended Decision, in ¶ 86 of the FCC's *Remand Order* and as contained in Appendix F to the *Remand Order*. This Exhibit presents, in detail, the residential rate data for the most rural areas (Rural Zone 3) in Wyoming as required by the *Remand Order* and 47 C.F.R. § 54.316. This Exhibit shows that these rural residential customers served by the Wyoming non-rural incumbent local exchange carrier pay a monthly charge of \$44.37.

One hundred percent (100%) of the federal high cost support received by Qwest in Wyoming is reflected as an explicit and direct bill credit to its rural customers. Based on these facts, the methods by which the average urban rate was calculated and the rate comparison requirements of the *Remand Order*, the WyPSC concludes that its rural residential rates are not reasonably comparable to the nationwide urban rate benchmark. Another factor influencing the rate comparison is the continued presence of substantial amounts of implicit subsidies in local rates constituting the average urban rate and the nationwide urban rate benchmark.

There are several reasons why the rates are not reasonably comparable, with the main factor being that Wyoming has cost-based rates for its rural areas and no other state does (a fact recognized several times by the FCC in the *Remand Order*). The WyPSC has fully implemented the pro-competitive statutory mandates of the Wyoming Telecommunications Act of 1995 (W.S. §§ 37-15-101, *et seq.*). In the 1995 Wyoming Act, W.S. § 37-15-402 required cost-based pricing for all retail telecommunications services in Wyoming; W.S. § 37-15-403 prohibited cross subsidies and eliminated implicit subsidies; and W.S. § 37-15-501 established the Wyoming Universal Service Fund. Qwest now has in place de-averaged cost-based residential rates with all implicit subsidies removed from residential rates; and the WyPSC has fully implemented the explicit subsidy support program – the Wyoming Universal Service Fund. The residential rate shown on **Exhibit 1** to this certification reflects the truly high cost, rural nature of much of Wyoming.

Wyoming's telecommunications statutes were significantly amended in 2007 and are now referred to as the Wyoming Telecommunications Act. The cost-based pricing requirements (W.S. § 37-15-402), and the cross subsidization prohibitions (W.S. § 37-15-403) were repealed, largely to allow companies more pricing freedom to respond to competition. Other safeguards were put into place, and Qwest's pricing plan has not been changed. Its rates are without implicit subsidies, remain de-averaged and are still cost-based. Our conclusions therefore remain correct and the disparity described above remains accurate.

In its April 16, 2010, *Order on Remand and Memorandum Opinion and Order in the Matter of High-Cost Universal Service Support and Federal-State Joint Board on Universal Service Support*, Docket Nos. WC Docket No. 05-337 and CC Docket No. 96-45, at ¶ 91 the FCC issued an additional requirement for the WyPSC in making this annual rate comparability certification:

To remain eligible for supplemental high-cost support going forward, beginning with the Wyoming Commission's next rate comparability certification due October 1, 2010, and each October 1 thereafter, the Wyoming Commission shall provide the Commission and USAC with updated line counts and other rate data consistent with and in the same format as the Wyoming 2010 Update.

Please find the required information below in **Table 1:**
Wyoming PSC Updated Line Counts and Other Rate Data

Table 1. Wyoming PSC Updated Line Counts and Other Rate Data Consistent With and in the Same Format as the Wyoming 2010 Update

	Base Rate Area	Zone One	Zone Two	Zone Three	Total
Basic Service Rate	\$23.10	\$23.10	\$23.10	\$23.10	
Zone Additive	\$0.00	\$15.50	\$25.50	\$46.25	
Gross Rate	\$23.10	\$38.60	\$48.60	\$69.35	
Federal USF Credit		\$5.02	\$15.14	\$32.00	
Rate Net of FUSF	\$23.10	\$33.58	\$33.46	\$37.35	
Wyoming USF Credit		\$0.12	\$0.00	\$3.89	
Net Rate (before Taxes and Surcharges)	\$23.10	\$33.46	\$33.46	\$33.46	
Subscriber Line Charge	\$6.50	\$6.50	\$6.50	\$6.50	
FUSF Surcharge = SLC*15.3%	\$0.99	\$0.99	\$0.99	\$0.99	
WUSF Surcharge = 1.2%	\$0.28	\$0.46	\$0.58	\$0.83	
Telecomm Relay	\$0.03	\$0.03	\$0.03	\$0.03	
Wyoming Lifeline	\$0.00	\$0.00	\$0.00	\$0.00	
E 9-1-1	\$0.75	\$0.75	\$0.75	\$0.75	
Federal Excise Tax = 3%	\$0.20	\$0.20	\$0.20	\$0.20	
Wyoming Sales Tax = 4.8%	\$1.11	\$1.61	\$1.61	\$1.61	
Final Bill to Customer	\$32.96	\$44.00	\$44.12	\$44.37	
FCC Benchmark	\$36.52	\$36.52	\$36.52	\$36.52	
Comparability Shortfall	\$0.00	\$7.48	\$7.60	\$7.85	
Number of Lines		8,963	8,542	15,567	33,073
((Number of Lines * Comparability Shortfall) * 12) * .75 Federal Share = COMPARABILITY SHORTFALL	\$0.00	\$603,307	\$584,205	\$1,099,504	\$2,287,016

The line count information above was distilled from Table HC15 - High Cost Model Support Projected by Wire Center- 4Q2011, in the USAC's 2011 Fourth Quarter FCC High-Cost Filing, last modified August 2, 2011, visited September 16, 2011.

The WyPSC looks forward to working with the FCC, the USAC and all other interested parties in maintaining the universal service goals and principles of Section 254 of the federal Telecommunications Act of 1996 and in achieving residential rate comparability in Wyoming.

Sincerely,


 ALAN B. MINIER
 Chairman


 STEVE OXLEY
 Deputy Chairman


 KATHLEEN A. LEWIS
 Commissioner

**Wyoming Public Service Commission
2011 Rate Comparability Analysis
Residential Rate Data
Pursuant to 47 C.F.R. § 54.316**

Residential Customers in the Most Rural Areas of Wyoming Served
by the Non-Rural Incumbent Local Exchange Carrier

Rate, Surcharges, Credits and Taxes as of July 2008:

Basic Residential Access Line Rate	\$69.35
Federal Universal Service Fund Credit	(\$32.00)
Wyoming Universal Service Fund Credit	<u>(\$3.89)</u>
Net Residential Rate Subject to Mandatory Surcharges and Taxes	\$33.46
Federal Subscriber Line Charge	\$6.50
Federal Universal Service Fund Surcharge	\$0.99
Wyoming Universal Service Fund Surcharge	\$0.83
Telecommunications Relay System Surcharge	\$0.03
Wyoming Lifeline Program Surcharge	\$0.00
E911 Emergency Calling System Tax	\$0.75
Federal Excise Tax	\$0.20
Wyoming State Sales Tax	<u>\$1.61</u>
Total Basic Residential Service Rate to Customer	<u>\$44.37</u>